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NSC BRIEFING

26 June 1956

APPENDIX B: ICELAND'S ECONOMIC POSITIONS**I. Foreign Trade:**

The high cost of Iceland's fish and fish products, which comprise about 92% of its exports, has for some time put Iceland at disadvantage in its principal free world markets--the United States, Britain and the continent. In 1955 the United States share of Iceland's exports fell to 12% as compared to 18% in 1954. Exports to Britain are only a small fraction of their former volume owing to Britain's continuing ban on the import of Icelandic fresh fish in retaliation for Iceland's unilateral extension of territorial waters.

The cost-of-living which is expected to rise an additional 9 percent during 1956, will further worsen competitive position of the export industries.

II. Trade with the Soviet Bloc:

In 1955 the USSR replaced the United States as Iceland's principal market, and the Soviet bloc accounted for about 38% of total Icelandic exports, as compared to 25 percent in 1954, 20 percent in 1953 and only 7 percent in 1952.

Imports from the US still substantially exceed those from the USSR, but in certain basic products the bloc has now become Iceland's principal supplier. In 1955 Iceland received over two thirds of its petroleum imports from the USSR and over 75 percent of its steel and coke requirements

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from Poland.

III. Impact of the base

Iceland's foreign exchange revenue from the Defense Force has accounted for approximately 18% of the island's income during the last few years. In 1955, for example, the \$13,800,000 brought in by the base more than counter-balanced Iceland's visible trade deficit of some \$11,500,000 with the United States. An average of 2,069 Icelanders were employed in defense projects during 1955.

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